



State of Louisiana
DIVISION OF ADMINISTRATION

OFFICE OF STATE UNIFORM PAYROLL

M. J. "MIKE" FOSTER, JR.
GOVERNOR

October 28, 2002

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

OFFICE OF STATE UNIFORM PAYROLL MEMORANDUM #2003-23

TO: All ISIS HR Agencies

FROM: Jena W. Cary
Director

SUBJECT: Miscellaneous Insurance Policies

It has come to our attention that some vendors are allowing ISIS HR paid employees to have payroll deducted Flexible Benefits Plan (FBP) eligible products (**under OSUP's payroll deduction rule**) for non-dependents. Per the payroll deduction rule, an employee may have a payroll deduction for anyone with insurable interest as defined below:

Insurable Interest - as referenced herein shall be as defined in R.S. 22:613.C.(1) and (2) e.g., an individual related closely by blood or by law, or a lawful and substantial economic interest in having the life, health or bodily safety of the individual insured continue.

However, IRS Code Section 125 (which governs the FBP) eligible products under OSUP's payroll deduction rule can be deducted for ***dependents only*** (as defined in Section 152 of the IRS code). **Employees cannot have an eligible product on a non-dependent payroll deducted, nor can employees elect to have an eligible product payroll deducted as non-sheltered on a non-dependent.**

Ineligible products under OSUP's payroll deduction rule can be deducted for anyone with insurable interest.

Miscellaneous insurance vendors have been advised by OSUP to prepare and mail a letter to all affected employees providing other options for payment by **November 22, 2002**. Included with the letter will be the employee's copy of the new Payroll Deduction Authorization Form (SED-4). All payments already made through the ISIS HR system will not have to be refunded and deductions must be stopped. The policyholder will be responsible for the premium when the deduction is stopped in the ISIS HR system.

Vendors will also, by November 22, 2002, send a sample copy of the employee letter to agency payroll offices with a list of employees affected. This list will include the agency number, employee name, social security number, payroll code (PA, NA, PB, NS, NN, etc.) product name, semi-monthly premium, and new semi-monthly premium (indicating 0.00 if entire premium was for a non-dependent). Included will also be a new SED-4 for each affected employee. There is **no** employee signature required in this situation.

When the SED-4 is received:

1. The deduction must be corrected using the beginning date of the current pay period on IT14.
2. If the employee's current payroll deduction is for a **FBP** wage type, agencies must process a one-time additional payment (refund) on IT15 for the difference in premium back to the first pay period in July 2002, and
3. Process a one-time additional deduction on IT15 for the non-FBP wage type for same amount. **Note: This will adjust the employee's taxes.**

On IT15, verify that the default date for the Date of Origin is the last date of current pay period. Consult with the ISIS HR Online Documentation System for complete details on processing the one-time additional payment and one-time additional deduction.

If the employee's current payroll deduction is for a **non-FBP** wage type, then agencies only need to correct the deduction amount on IT14.

These corrections must be completed prior to payroll close of 12/08/2002 for 12/13/2002 payday. If you have any questions, please contact Angel Vernon at (225) 342-5344.

JWC:ACV

c: Ray Harrison, OGB
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